

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name New Haven Township	County Gratiot
Audit Date March 31, 2004	Opinion Date October 15, 2004	Date Accountant Report Submitted to State: December 29, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	x		
Reports on individual federal financial assistance programs (program audits).			x
Single Audit Reports (ASLGU).			x

Certified Public Accountant (Firm Name) Page, Olson & Company, P.C.			
Street Address 2865 S. Lincoln Road - P.O. Box 368	City Mt. Pleasant	State MI	ZIP 48804-0368
Accountant Signature 			

NEW HAVEN TOWNSHIP, GRATIOT COUNTY
STATE OF MICHIGAN
AUDITED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004

NEW HAVEN TOWNSHIP
YEAR ENDED MARCH 31, 2004

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NEW HAVEN TOWNSHIP
TOWNSHIP OFFICIALS
YEAR ENDED MARCH 31, 2004

SUPERVISOR

David Loganbach

CLERK

Robert Barnes

TREASURER

Kathy Doran

TRUSTEES

Margaret Peacock

Brian Smith



PAGE

OLSON &

COMPANY P.C.

INDEPENDENT AUDITORS' REPORT

October 15, 2004

Township Board
New Haven Township
Gratiot County, Michigan

We have audited the accompanying statements of assets and liabilities arising from cash transactions of the individual funds and account groups of New Haven Township as of March 31, 2004, and the related statement of revenue collected, expenditures paid, and changes in cash basis fund balance for the year then ended, as listed in the Table of Contents. These financial statements are the responsibility of the management of New Haven Township. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

New Haven Township has a population of less than 4,000 people and is therefore required by Act 46, Public Acts of 1996 of the State of Michigan, to have an independent audit only biennially. The preceding year has thus not been audited; however, we have performed various tests of the opening balances.

As described in the Summary of Significant Accounting Policies, Note 1-C, the Township prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

The Township has not prepared combined financial statements that show the assets and liabilities arising from cash transactions of New Haven Township taken as a whole as of March 31, 2004, and the related statement of revenue collected, expenditures paid, and changes in cash basis fund balance for the year then ended, as required by generally accepted accounting principles. Thus, in our opinion, the financial statements listed in the Table of Contents do not present fairly the financial position of New Haven Township as of March 31, 2004, or the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States.

In our opinion, however, the financial statements listed in the Table of Contents do present fairly the assets, liabilities, and cash basis fund balances of the individual funds and account groups of New Haven Township as of March 31, 2004, arising from cash transactions, and its revenue collected, expenditures paid, and changes in cash basis fund balances for the year then ended, on the basis of accounting described in Note 1-C.

Township Board

New Haven Township
Gratiot County, Michigan

Our audit was made for the purpose of rendering an opinion on the financial statement exhibits of New Haven Township. Various supplemental financial data identified as Schedules in the Table of Contents and included in the report is not considered necessary for a fair presentation of financial position and results of operations but is presented primarily for supplemental analysis purposes. This additional information has been subjected to the audit procedures applied in the audit of the financial statement exhibits and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement exhibits taken as a whole.

Our report of comments and recommendations is included herein and forms a part of this report.

Page, Olson & Company

**FINANCIAL STATEMENTS OF
INDIVIDUAL FUNDS AND ACCOUNT GROUPS**

NEW HAVEN TOWNSHIP, GRATIOT COUNTY
GENERAL FUND
STATEMENT OF ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
MARCH 31, 2004

Statement I

ASSETS

Cash and Cash Equivalents	\$ 130,595
Due From Other Funds	<u>7,467</u>
 TOTAL ASSETS	 <u>\$ 138,062</u>

LIABILITIES AND CASH BASIS FUND BALANCE

CASH BASIS FUND BALANCE	<u>\$ 138,062</u>
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The accompanying notes are an integral part of the financial statements

NEW HAVEN TOWNSHIP, GRATIOT COUNTY
GENERAL FUND
STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID,
AND CHANGES IN CASH BASIS FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2004

	Statement II		
	Budget	Actual	(Over)/ Under budget
<u>REVENUE COLLECTED</u>			
Property Taxes and Administrative Fee	\$ 33,000	\$ 33,100	\$ (100)
Delinquent Taxes	2,000	3,605	(1,605)
State Revenue Sharing	70,000	72,379	(2,379)
Licenses and Permits	600	666	(66)
Cemetery Lot Sales and Burials	4,020	6,515	(2,495)
Interest and Dividend Earnings	1,500	688	812
Rents and Royalties	400	275	125
Miscellaneous	2,500	4,214	(1,714)
 TOTAL REVENUE	 114,020	 121,442	 (7,422)
<u>EXPENDITURES PAID</u>			
<u>General Government</u>			
Township Board	600	636	(36)
Supervisor	5,300	5,406	(106)
 Elections	 -	 -	 -
Assessor	4,650	4,596	54
Clerk	8,200	8,697	(497)
Board of Review	700	763	(63)
Treasurer	8,500	6,689	1,811
Township Hall and Grounds	3,650	3,854	(204)
Cemetery	11,000	11,245	(245)
Trustees	2,000	2,000	-
 Total General Government	 44,600	 43,886	 714
<u>Public Safety</u>			
Fire Protection	22,000	19,216	2,784
<u>Public Benefit</u>			
Drains	2,000	6,041	(4,041)
Highways and Streets	22,600	22,548	52
 Total Public Benefit	 24,600	 28,589	 (3,989)
<u>Planning</u>			
Zoning Board/Commission	700	1,353	(653)

The accompanying notes are an integral part of the financial statements

NEW HAVEN TOWNSHIP, GRATIOT COUNTY
GENERAL FUND
STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID,
AND CHANGES IN CASH BASIS FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2004

	Statement II		
	Budget	Actual	(Over)/ Under budget
<u>EXPENDITURES PAID (CONTINUED)</u>			
<u>Other Functions</u>			
Liability Insurance	\$ 3,500	\$ 3,965	\$ (465)
Pension Plan-Township Share	5,200	5,010	190
Plowing	300	567	(267)
Advertising	500	-	500
Tax Statements	3,500	4,595	(1,095)
Capital Outlay	<u>2,000</u>	<u>-</u>	<u>2,000</u>
 Total Other Functions	 15,000	 14,137	 863
 TOTAL EXPENDITURES PAID	 <u>106,900</u>	 <u>107,180</u>	 <u>(280)</u>
 EXCESS OF REVENUES COLLECTED OVER (UNDER) EXPENDITURES PAID	 <u>\$ 7,120</u>	 14,262	 <u>\$ (7,142)</u>
 CASH BASIS FUND BALANCE - APRIL 1		<u>123,801</u>	
 CASH BASIS FUND BALANCE- MARCH 31		<u>\$ 138,063</u>	

The accompanying notes are an integral part of the financial statements

NEW HAVEN TOWNSHIP, GRATIOT COUNTY
 CURRENT PROPERTY TAX COLLECTIONS FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
MARCH 31, 2004

Statement III

ASSETS

	Balance 04/01/03	Additions	Deletions	Balance 03/31/04
Cash in Checking	<u>\$ 5,679</u>	<u>\$ 746,936</u>	<u>\$ 744,053</u>	<u>\$ 8,562</u>

LIABILITIES

Due to General Fund	\$ 5,679	\$ 7,472	\$ 5,684	\$ 7,467
Undistributed Tax Collections	<u>-</u>	<u>739,464</u>	<u>738,369</u>	<u>1,095</u>
Total Liabilities	<u>\$ 5,679</u>	<u>\$ 746,936</u>	<u>\$ 744,053</u>	<u>\$ 8,562</u>

The accompanying notes are an integral part of the financial statements

NEW HAVEN TOWNSHIP, GRATIOT COUNTY
GENERAL FIXED ASSETS ACCOUNT GROUP
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
YEAR ENDED MARCH 31, 2004

Statement IV

	Balance 04/01/03	Additions	Deletions	Balance 03/31/04
<u>FIXED ASSETS</u>				
Buildings and Building Improvements	\$ 44,177	\$ -	\$ -	\$ 44,177
Land and Land Improvements	34,842	-	-	34,842
Equipment	<u>9,267</u>	<u>-</u>	<u>-</u>	<u>9,267</u>
 TOTAL GENERAL FIXED ASSETS	 <u>\$ 88,286</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 88,286</u>
 <u>INVESTMENT IN GENERAL FIXED ASSETS</u>	 <u>\$ 88,286</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 88,286</u>

The accompanying notes are an integral part of the financial statements

NEW HAVEN TOWNSHIP, GRATIOT COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New Haven Township is a regular law Michigan Township with a population of less than 4,000 people. The Township is governed by a five-member board of officials elected by the Township voters.

A. FINANCIAL REPORTING ENTITY

In evaluating how to define the government, for financial reporting purposes, management has considered all potential agencies and organizations. The decision to include a potential agency or organization in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards Board (GASB) Statement 14. Generally, component units are legally separate organizations for which the elected officials of the Township are financially accountable. Financial accountability is determined by the Township's ability to impose its will on the component unit, as well as the unit's significance regarding operational and financial relationships with the Township.

B. FUND ACCOUNTING

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue, and expenditures. The various funds of the Township are as follows:

General Fund

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Trust and Agency Fund Type - Current Property tax Collections Fund

The Current Property Tax Collections Fund is used to account for assets held by the Township as an agent for individuals, other governments, and/or other funds.

General Fixed Assets Account Group

This Account Group is established to account for all fixed assets of the Township.

This account group is not a "Fund". It is concerned only with the measurement of financial position. It is not involved with measurement of results of operations.

C. BASIS OF ACCOUNTING

The accounting books and records of New Haven Township are maintained on a cash basis of accounting during the year and the financial statements have been prepared directly from these books and records. The financial statements do not, therefore, give effect to accounts receivable, accounts payable, and accrued items.

NEW HAVEN TOWNSHIP, GRATIOT COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. PROPERTY TAXES

Receipts of current and delinquent property taxes are recorded as revenue in the year in which received. Gratiot County, the county in which New Haven Township is located, has a delinquent tax revolving fund whereby the County pays the Township for its delinquent real property taxes. It then becomes the County's responsibility to collect these delinquent taxes from the various taxpayers.

The Township property tax is levied on December 1. Taxes are payable on a current basis from December 1 to February 14, at which date they become delinquent.

E. BUDGETARY COMPARISON

A budget is adopted by New Haven Township for the General Fund and the financial statements present comparisons of actual revenue collected and expenditures paid to this budget. Township appropriations lapse at year end.

F. INVESTMENTS

Township investments consist of certificates of deposit.

G. GENERAL FIXED ASSETS

Purchases of fixed assets are recorded as expenditures in the General Fund at the time of acquisition. These assets are capitalized at cost in the General Fixed Assets Account Group and no depreciation is taken on these assets. The original Statement of General Fixed Assets was compiled by Township Officials and was not subjected to audit procedures. Additions and retirements since that time have been subjected to audit procedures.

Infrastructure assets (such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems) are not capitalized.

NEW HAVEN TOWNSHIP, GRATIOT COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004

NOTE 2 - CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations.

Investments can also be made in bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States; repurchase agreements consisting of bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States; bankers' acceptances of United States banks, obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service; commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase; mutual funds registered under the investment company act of 1940, with the authority to purchase only investment by a public corporation; obligations described above if purchased through an inter-local agreement under the urban cooperations act of 1967, PA 7, MCL 124.501 to 124.512; investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118, and the investments pools organized under the local government investn to 129.150

Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. The Township's deposits are in accordance with statutory authority.

New Haven Township's cash and investments during the year consisted of cash in checking accounts and certificates of deposit. This is in accordance with statutory authority and within local unit authorization.

Carrying Amount

At year end, the carrying value of cash and investments held by New Haven Township was \$139,156 as follows:

Deposits with Financial Institutions:

General Fund	
Cash in Checking	\$ 120,595
Certificates of Deposit	<u>10,000</u>
Total General Fund	130,595
Current Tax Collections Fund	
Cash in Checking	<u>8,562</u>
Total Cash and Investments	<u>\$ 139,157</u>

NEW HAVEN TOWNSHIP, GRATIOT COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions

On March 31, 2004, the carrying amount of deposits with Financial Institutions was \$139,156 of which \$100,000 was covered by the Federal Deposit Insurance Corporation (FDIC) through Commercial Bank and \$39,156 was uninsured and uncollateralized. Actual deposits with Financial Institutions were \$143,721 of which \$100,000 was covered by the Federal Deposit Insurance Corporation (FDIC) through Commercial Bank and \$43,721 was uninsured and uncollateralized.

Due to varying cash flows the Township's deposits with financial institutions were higher during the year than at year end. Therefore, there may have been more deposits that were uninsured and uncollateralized at points during the year.

NOTE 3 - BUDGET CONSIDERATION

Michigan Public Act 621 of 1978 provides that a local unit shall not incur expenditures in excess of the amount appropriated based on the level of control exercised over the adopted budget. Budgets are adopted on an activity/departamental basis for the General Fund. Disclosure of all unfavorable appropriation variances based on the level of control exercised over the adopted budget is as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
GENERAL FUND			
Township Board	\$ 600	\$ 636	\$ 36
Supervisor	5,300	5,406	106
Clerk	8,200	8,697	497
Board of Review	700	763	63
Township Hall and Grounds	3,650	3,854	204
Cemetery	11,000	11,246	246
Public Benefit	24,600	28,589	3,989
Planning	700	1,353	653

Adoption of Budget

Public Act 621 of 1978 provides that the budget document present a statement of the estimated fund balance or deficit for the end of the fiscal year. The fiscal year 2004 budget did not contain such a statement for the General Fund. Consequently an estimated fund balance or deficit for the year end is not included in budgetary amounts on the general fund financial statements.

NOTE 4 - PENSION PLAN

New Haven Township participates in a defined contribution pension plan, administered by Manufacturers Life Insurance Company. The plan is available for all Township Officials and the Cemetery Sexton. Contributions to the pension investment plan are based on a percentage of compensation. Employees can also make voluntary contributions to the plan. For the year ended March 31, 2004, the Township made its required contribution of \$3,175 and Township employees made their required contribution of \$1,235.

NEW HAVEN TOWNSHIP, GRATIOT COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at March 31, 2004 are as follows:

	Due From Other Funds	Due To Other Funds
<u>General Fund</u>		
Due From Current Tax Collections Fund	\$ 7,467	\$ -
<u>Current Tax Collections Fund</u>		
Due to General Fund	<u>-</u>	<u>7,467</u>
Total	<u>\$ 7,467</u>	<u>\$ 7,467</u>

SUPPLEMENTARY FINANCIAL DATA

NEW HAVEN TOWNSHIP, GRATIOT COUNTY
SCHEDULE OF GENERAL FUND EXPENDITURES
PAID BY OBJECT ACCOUNT
YEAR ENDED MARCH 31, 2004

Schedule 1

GENERAL GOVERNMENT

Township Board			
Memberships and Dues	\$	577	
Printing and Publishing		<u>59</u>	
			\$ 636
Supervisor			
Salaries and Wages	\$	5,000	
Miscellaneous		<u>406</u>	
			5,406
Assessor			
Salaries and Wages	\$	4,000	
Miscellaneous		<u>596</u>	
			4,596
Clerk			
Salaries and Wages	\$	8,000	
Miscellaneous		<u>697</u>	
			8,697
Board of Review			
Fees and Per Diem	\$	747	
Printing and Publishing		<u>16</u>	
			763
Trustees			
Salaries and Wages			2,000
Treasurer			
Salaries and Wages	\$	6,000	
Postage		629	
Dues		<u>60</u>	
			6,689
Township Hall and Grounds			
Supplies	\$	1,719	
Communications		344	
Utilities		1,264	
Repairs and Maintenance		522	
Miscellaneous		<u>5</u>	
			3,854
Cemetery			
Salaries and Wages	\$	6,980	
Utilities		99	
Repairs and Maintenance		<u>4,166</u>	
			11,245

NEW HAVEN TOWNSHIP
SCHEDULE OF GENERAL FUND EXPENDITURES
PAID BY OBJECT ACCOUNT
YEAR ENDED MARCH 31, 2004

Schedule 1

PUBLIC SAFETY

Fire Protection		
Contractual Service		19,216

PUBLIC BENEFIT

Drains		6,041
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HIGHWAYS AND STREETS

Brine	\$ 13,950	
Resurfacing	5,319	
Quarterly Maintenance	3,279	
		22,548

PLANNING

Zoning Board/Commission		
Contractual Service	\$ 1,024	
Printing and Publishing	64	
Miscellaneous	265	
		1,353

OTHER FUNCTIONS

Items Not Charged to Specific Activities		
Liability Insurance		3,965
Pension Plan-Township Share		5,010
Plowing		568
Tax Statements		4,595

TOTAL EXPENDITURES PAID		\$ 107,181
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COMPANY P.C.

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

October 15, 2004

Township Board
New Haven Township
Gratiot County, Michigan

We have recently completed our audit of the financial statements of New Haven Township for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of New Haven Township in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help to assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the representations of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than with those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgement of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

Township Board
New Haven Township
Gratiot County, Michigan

An independent auditor's objective of an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at a reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or irregularities. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

Auditing standards call for us to inform you regarding the initial selection of, and changes in, significant accounting policies or their application. In addition, we are expected to inform you about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

The significant accounting policies are described in Note 1 to the financial statements.

MANAGEMENT JUDGEMENTS AND ACCOUNTING ESTIMATES

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgements; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

All balances on the financial statements of the New Haven Township are based on actual results and balances versus estimates.

SIGNIFICANT AUDIT ADJUSTMENTS

Auditing standards call for us to report to you significant audit adjustments that, in our judgement, may not have been detected except through the auditing procedures we performed.

The Township does not maintain the General Ledger or prepare financial statements for the Board comparing the monthly expenditures and receipts to the budget. Adjustments were needed to complete the ledger and reconcile various accounts. There were also some miscoding in the expenditures which caused more time to audit and balance the books.

Township Board
New Haven Township
Gratiot County, Michigan

GASB 34 IMPLEMENTATION

The implementation date of this pronouncement for the Township of New Haven is by December 31, 2004. The daily operations and recording of transactions will not change significantly, however, the Township will be required to complete more detailed records on fixed assets as well as be able to supply additional schedules at year end for the conversions. The amount of work needed to prepare and maintain an appropriate asset schedule has proven to be extensive at other entities. The time to convert to the new reporting format is significant and will result in additional audit fees. The Township may also consider the possibility of not implementing these new standards and whether an adverse opinion or OCBOA opinion will be acceptable for future plans and by public perception.

COMMENTS AND RECOMMENDATIONS REGARDING INTERNAL CONTROLS/COMPLIANCE/ EFFICIENCY

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that we believe to be material weaknesses.

These conditions were considered in determining the nature, timing, and extent of the audit tests applied on our audit of the March 31, 2004, financial statements, and this report does not affect our report on those financial statements dated October 15, 2004. We have not considered internal control since the date of our report.

Lack of Complete General Ledger (Material Weakness)

A complete General Ledger of all Township accounts was not maintained by the Clerk as required. This is not a new situation, this has been a pervasive problem for the township for a number of years. While at various times improvements have been made here and there, the Township still has not been able to satisfactorily complete an appropriate general ledger internally. Since the general ledger is considered the base accounting record it is somewhat pointless to list out in detail a laundry list of deficiencies in particular areas. For example, since the ledger is not complete it is implied that financial data being provided is most likely inaccurate, and that cash amounts have not been reconciled to the treasurer's records. While we understand that elected officials do not always possess the knowledge of fund accounting and record keeping required, it does not excuse the fact that these basic records have not been appropriately maintained.

Once a complete general ledger can be established on an ongoing basis, the board should be receiving on a periodic (monthly) basis reports for all township funds. These reports should at least include a Balance Sheet by Fund; Detail Revenue by Fund - Budget to Actual; and Detail Expenditures by Fund - Budget to Actual.

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Township Budget (Material Weakness) (Repeated Comment with Modification)

New Haven Township is subject to the requirements of Public Act 621 of 1978 (Uniform Budgeting and Accounting Act). The Act requires that when the legislative body prepares the budget for the upcoming year, they take into consideration actual prior year results and estimated amount of current year results and document such in the budget document. The Act also requires that the estimated current year fund balance is to be included. In addition, the budget should be monitored throughout the year and amended if necessary to allow for expenditures in excess of the original budget or revenues less than the original budgeted amount.

The Township's budget document does not reflect estimated fund balances or any amendments. In order to comply with Public Act 621 of 1978, we recommend that the budget be adopted including the necessary documentation noted above and amended as necessary throughout the year.

Payroll Withholdings (Repeated Comment)

It was noted during testing that income taxes and FICA were not being withheld from payroll checks as necessary. For those employees that were hired full-time after April 1, 1986, the Medicare portion of FICA must be withheld. In addition, income taxes for all salaries and wages should be withheld. It is recommended that withholdings be made on all appropriate salaries and wages in the future.

Board Minutes (Material Weakness)

During the review of the Township Board Minutes it was noted during the fiscal year 2002-2003 there were times when the Board did not have a quorum to conduct business. Vouchers were prepared by the Clerk and given to the Treasurer to process but no approval was given at a subsequent Board meeting for the vouchers to be paid. It is recommended to make sure Board approval is obtained before any payments are made on vouchers submitted by the Clerk. It is also recommended a listing of vouchers which includes vendor names and amounts be included in the minutes to verify what actually has been approved to be paid.

Property Tax Receipts (Material Weakness)

During testing it was noted that property tax receipts did not always equal the actual amount deposited. We recommend care be taken to insure the proper amounts are deposited or a reconciliation be made to account for any differences. Also during testing it was noted the property tax receipts were not always deposited timely. We recommend deposits be made frequently especially if large sums of money are received during the week.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied to our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated October 15, 2004.

SUMMARY

We would like to thank the Township personnel and Officials for the cooperation we received from them throughout the course of the audit. We welcome any questions you may have regarding the foregoing comments, and we would be happy to discuss any questions that you might have at your convenience.

This communication is intended for the information of the members of the Township Board, management and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

Page, Olson & Company